American Petroleum Institute

Domestic Petroleum Council

ipaa America's Oil & Gas Producers

US Oil & Gas Association

March 16, 2005

Department of the Interior
Minerals Management Service
Attention: Rules Processing Team (RPT)
381 Elden Street
Herndon, Virginia 20170-4817

Attention: Rules Processing Team

Re: Oil and Gas and Sulphur Operations on the Outer Continental Shelf (OCS) Suspension of Operations (SOO's) for Ultra-Deep Drilling. 70 Federal Register 7451-7455 (February 14, 2005)

The American Petroleum Institute (API), Domestic Petroleum Council (DPC), Independent Petroleum Association of America (IPAA), Offshore Operators Committee (OOC) and the US Oil & Gas Association (USOGA) appreciate the opportunity to respond to the Minerals Management Service (MMS) call for comments regarding the proposed rule "Oil and Gas and Sulphur Operations on the Outer Continental Shelf (OCS)-Suspension of Operations (SOO's) for Ultra-Deep Drilling." These five associations represent thousands of energy companies engaged in all aspects of the offshore oil and natural gas industry, including the majority of companies that hold most of the oil and gas leases found in federal waters of the GOM, and have a direct interest in this matter.

The proposed rule would allow MMS to grant Suspensions of Operations (SOO's) to oil and gas lessees or operators who plan to drill ultra-deep wells of at least 25,000 feet (total vertical depth subsurface) on leases with either a 5-year primary term or an 8-year primary term with a requirement to drill within the first 5 years. Lessees or operators would have to meet other requirements regarding the acquisition and interpretation of geophysical data and demonstrate the need for additional time. MMS has proposed this revision to current regulations because of the added complexity and costs associated with planning and drilling ultra-deep wells. MMS expects the new rule to lead to increased drilling of ultra-deep wells and increased domestic production.

Industry concurs and supports the proposed rule. Both the technical complexities and significant capital investment required to explore and hopefully produce in the most promising ultra-deep exploration areas in the Gulf of Mexico (e.g. sub-salt, deep gas) require more than the traditional five year primary term (under which most non-deepwater oil and gas leases are currently issued) or the eight year primary term with a requirement to drill within the first five years.

U.S. offshore areas supply more than 25 percent of the nation's natural gas production and more than 30 percent of domestic oil production, most of which comes from the Central and Western Gulf of Mexico. With the reserve replacement in the Central and Western Gulf declining and most of the Eastern Gulf of Mexico and the East and West coasts off limits, this proposed rule would be an important step in providing additional secure domestic resources.

Thank you for the opportunity to comment on this proposed rule. Please direct any inquiries to Ms Linda Bauch, American Petroleum Institute, 202-682-8170.

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